



High-Growth Value Stocks: The King of Food Stocks Is Trading Cheap

Description

Premium Brands ([TSX:PBH](#)) is an investment platform focused on acquiring and building [food-focused businesses](#) in partnership with talented entrepreneurial management teams. The company's current holdings consist primarily of specialty food businesses and premium food-distribution businesses.

A key characteristic of a specialty food business is that a consumer's decision to purchase products is based primarily on factors other than price, such as quality, convenience, health, and lifestyle. As a result, the specialty food businesses owned by Premium Brands generally earn higher and more consistent selling margins relative to food companies that focus on less-differentiated products. Furthermore, due to a variety of consumer trends impacting the food industry, these businesses also tend to generate higher sales growth rates as compared to large national and international food companies.

Specialized products

In the company's premium food-distribution business, Premium Brands offers customers [specialized and unique products and services](#) in addition to logistical solutions. This generally enables it to generate higher and more consistent selling margins relative to the large national and international food distributors that are primarily focused on logistics. The company's premium food-distribution businesses also enable it to generate and sustain additional margin by using these businesses to provide Premium Brands's specialty food businesses with proprietary access to a broad and diversified customer base that includes regional and specialty grocery retailers, restaurants, hotels, and institutions.

The company's core strategy of acquiring and building specialty food and premium food distribution businesses in partnership with talented entrepreneurial management teams results in a number of competitive advantages. Premium Brands's investment focus is on food businesses whose core strategies are based on product differentiation and constant innovation in all business elements, including product development. These strategies generally enable the company to generate higher and

more consistent margins and avoid competing with large, multinational mainstream food and food-distribution companies.

Culture of entrepreneurialism

Further, the company actively promotes among various businesses a culture based on the core values of entrepreneurialism. Correspondingly, it empowers employees to make decisions and has avoided creating the bureaucratic structures and multiple management layers associated with many large food companies. This has resulted in a very dynamic and creative environment whereby the company's businesses can identify opportunities and issues on a timely basis and, more importantly, react to such situations rapidly.

Regional market focus

As the owner of a number of specialty food and premium food-distribution businesses, each operating on a semi-autonomous basis, the company is able to maintain a regional market focus while using Premium Brands's overall size to gain competitive advantages over other smaller regional specialty food and food-distribution businesses. These advantages include improved access to capital and stronger purchasing power for a range of products and services.

A number of the company's businesses sell products under one or more proprietary brands, many of which are recognized as the leading brand within a specific segment of the specialty food market. By owning both food manufacturing and food-distribution businesses, the company is able to generate cross synergies, which should serve long-term shareholders well.

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Author

nikhilwaterloo

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